GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1034
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Loan Defaulted Farmers
Chinnayan Shri S.Selvakumara;Puttaraju Shri C.S.

Will the Minister of FINANCE be pleased to state:

(a) whether the farmers are committing suicide due to pressure of repayment of loans taken from banks in the country;

b) if so, the details thereof along with the number of farmers who have defaulted on agricultural loans in the country during the last three years, State-wise including Karnataka;

(c) whether the Government has received any complaint against loan recovery agents of the PSBs/financial institutions have been harassing farmers with regard to agricultural/ tractor loans;

(d) if so, the details thereof along with the action taken against the banks/ institutions in this regard; and

(e) the steps taken by the Government to protect the interest of farmers in this regard?

Answer

The Minister of State in the Ministry of Finance

(a) and (b): Farmers are indebted to both institutional and non-institutional sources of credit. In order to bring more and more farmers within the fold of institutional credit, Government has taken a number of steps. However, borrowing from non-institutional sources is the major reason for distress of debt-ridden farmers, which is one of the reported reasons for farmers'suicide in the country. Apart from indebtedness, causes of suicide by farmers, inter alia, include successive failure of crops, drought, socio-economic factors and personal reasons. Though the information system does not capture separate details of loans taken by the farmers from the money lenders, as per the Situation Assessment Survey (SAS) of Agricultural Households, conducted by National Sample Survey Organization (NSSO) during NSS 70th round (January, 2013- December 2013) in the rural areas of the country for the reference period of the agricultural year July 2012- June 2013, 25.8 percent of the loans at the all-India level were estimated to be sourced from 'agricultural/professional money lender'.
Reserve Bank of India (RBI) and National Bank for Agriculture & Rural Development (NABARD) have informed that they do not have data regarding the number of farmers who default on agricultural loans in the country.
(c) & (d): Government/RBI receives complaints in regard to various issues relating to agriculture credit. On receipt of such complaints, the matter is taken up at appropriate level for redressal. RBI has reported that it recently received a representation from farmers' associations (All Farmers' Organisation Committee, Tamil Nadu) against recovery measures adopted by Kotak Mahindra Bank Ltd and M/s Cholamandalam Investment and Finance Company Ltd. RBI has advised its Regional Office to follow the extant guidelines in the matter.
(e): The following major steps have been taken by Government to reduce the debt burden of farmers and increase the availability of hassle-free institutional credit to farmers:

â€¢ The guidelines on Priority Sector Lending (PSL) issued by RBI mandate all Domestic Scheduled Commercial Banks to earmark 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent amount of Off-Balance Sheet Exposure (OBE), whichever is higher, as on the corresponding date of the previous year, for lending to Agriculture. Foreign banks with 20 branches and above have to achieve the Agriculture Target within a maximum period of five years starting from April 1, 2013 and ending on March 31, 2018.

â€¢ Government sets annual target for the flow of credit to the agriculture sector. Banks have been consistently surpassing the annual target.

â€¢ With a view to ensuring availability of agriculture credit at a reduced interest rate of 7% p.a. to farmers, the Government of India implements an interest subvention scheme for short term crop loans up to Rs. 3.00 lakh. Under the said scheme, additional subvention of 3% is given to those farmers who repay their short term crop loan in time, thereby reducing the effective rate of interest to 4% p.a. for such farmers.

â€¢ In order to ensure that all eligible farmers are provided with hassle-free and timely credit for their agricultural operations, the Government has introduced the Kisan Credit Card (KCC) Scheme, which enables them to draw cash to purchase agricultural inputs such as seeds, fertilizers, pesticides as well as meet other agricultural and consumption needs.

â€¢ The KCC Scheme has since been simplified by providing the farmers with ATM enabled debit card based on one-time documentation and built-in cost escalation in the limit, etc.

â€¢ To bring small, marginal, tenant farmers, oral lessees, etc. into the fold of institutional credit, Joint Liability Groups (JLGs) have been promoted by banks.

â€¢ Banks have been advised by RBI to waive margin/security requirements of agricultural loans upto Rs.1,00,000/-, vide RBI's circular dated 18th June, 2010.

â€¢ RBI has issued Standing Guidelines for Relief Measures to be provided by respective lending institutions in areas affected by natural calamities which, inter alia, include identification of beneficiaries, restructuring of existing loans, extending fresh loans, relaxed security and margin norms, moratorium, etc. The Guidelines have been so designed that the moment calamity is declared by the concerned District Authorities they are automatically set in motion without any intervention, thus saving precious time. The benchmark for initiating relief measures by banks has also been reduced to 33% crop loss in line with the National Disaster Management Framework.